

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Alger County Transit Authority	County Alger
Fiscal Year End 9/30/06	Opinion Date 12/15/06	Date Audit Report Submitted to State 2-13-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

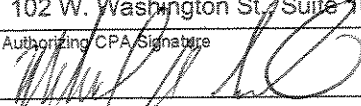
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St. Suite 109		City Marquette	State MI
Zip 49855		License Number 1101027988	
Authorizing CPA Signature 		Printed Name Michael Alan Greutz	

**Alger County Transit Authority  
Financial Statements  
For the Year Ended September 30, 2006**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alger County Transit Authority  
Munising, Michigan 49862

We have audited the accompanying financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2006, which collectively comprise the Alger County Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alger County Transit Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alger County Transit Authority as of September 30, 2006, and the respective changes in its financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of the Alger County Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alger County Transit Authority's basic financial statements. The schedules listed in the table of contents as other financial information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 15, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alger County Transit Authority's financial performance provides an overview of the Authority's financial activities for the year ended September 30, 2006. Please read it in conjunction with the financial statements, which begin on page 7.

### FINANCIAL HIGHLIGHTS

- Net assets for the Authority as a whole were reported at \$778,160. Nets assets are comprised of 100% business-type activities.
- During the year, the Authority's total expenses were \$979,035, while revenues from all sources totaled \$905,034 resulting in a decrease in net assets of \$74,001.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets (on pages 7 and 8) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority finances.

### **Reporting the Authority as a Whole**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Authority's *net assets* and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Authority's operating base and the condition of the Authority's capital assets, to assess the *overall financial health* of the Authority.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, we report all of the Authority's activities as business-type activities because the Authority charges a fee to residents to help it cover the cost of services it provides.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)** (Continued)  
**The Authority as a Whole** (Continued)

Table 1 provides a summary of the Authority's net assets as of September 30, 2006 and 2005.

Table 1 Net Assets		
	2006	2005
Current and other assets	\$104,047	\$55,682
Capital assets, net	922,207	1,030,897
Total Assets	1,026,254	1,086,579
Current liabilities	248,094	234,418
Non-current liabilities	-	-
Total Liabilities	248,094	234,418
Net Assets:		
Invested in capital assets	922,207	1,030,897
Restricted for transportation	(144,047)	(178,736)
Total Net Assets	\$778,160	\$852,161

Net assets of the Authority's business-type activities stood at \$778,160. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$(144,047).

The \$(144,047) in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Authority as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2 Change in Net Assets		
	2006	2005
Operating revenues:		
Charges for services	\$374,235	\$432,434
Other operating revenues	-	-
Total Operating Revenues	374,235	432,434
Operating expenses:		
Operations	812,997	850,631
Depreciation	166,038	179,714
Total Operating Expenses	979,035	1,030,345
Income (loss) from Operations	(604,800)	(597,911)
Non-operating Revenues (Expenses):		
Local	61,808	88,915
State	282,876	264,314
Federal	125,186	87,771
Capital grants and contributions	60,929	209,077
Total Non-operating Revenues (Expenses)	530,799	650,077
Increase (decrease) in net assets	(74,001)	52,165
Net assets, beginning	852,161	799,996
Net Assets, Ending	\$778,160	\$852,161

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)** (Continued)  
**The Authority as a Whole** (Continued)

The Authority's total revenues were \$905,034. The total cost of all programs and services was \$979,035, leaving a decrease in net assets of \$74,001 as a result of fiscal year 2006 operations.

The major loss in net assets was a result of a change in capital grants and contributions. Each year, this figure will vary, based on when capital contracts are executed and when the amounts are actually spent.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2006 and 2005, the Authority had \$922,207 and \$1,030,897 respectively, invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

	2006	2005
Buildings	\$930,920	\$929,794
Equipment and furnishings	218,043	248,553
Buses	684,883	937,668
	1,833,846	2,116,015
Accumulated depreciation	(911,639)	(1,085,118)
Totals	\$922,207	\$1,030,897

**Debt**

The Authority has no outstanding debt at yearend.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In Fiscal Year 2007, we will receive a slight increase in state operating and an approximate 3% increase in federal operating. Our local revenues will increase slightly, due to an increase of fare rates. We will attempt to keep our service level and expense budget the same as Fiscal Year 2006 so that we can continue to capitalize on the increased revenue to reduce our deficit.

**CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT**

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority Administrator at Alger County Transit Authority, P.O. Box 69, Munising, Michigan 49862.

ALGER COUNTY TRANSIT AUTHORITY  
Balance Sheet / Statement of Net Assets  
September 30, 2006

	Balance Sheet	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
CURRENT ASSETS:			
Due from federal government	\$ 34,639	\$ -	\$ 34,639
Due from local agencies	20,810	-	20,810
Fare income receivable	42,972	-	42,972
Prepaid insurance	5,626	-	5,626
TOTAL CURRENT ASSETS	<u>104,047</u>	<u>-</u>	<u>104,047</u>
FIXED ASSETS:			
Facility	930,920	-	930,920
Buses	684,883	-	684,883
Other vehicles	56,073	-	56,073
Equipment	99,325	-	99,325
Fixtures and furniture	62,645	-	62,645
	<u>1,833,846</u>	<u>-</u>	<u>1,833,846</u>
Less accumulated depreciation	<u>(911,639)</u>	<u>-</u>	<u>(911,639)</u>
	<u>922,207</u>	<u>-</u>	<u>922,207</u>
	<u><u>\$ 1,026,254</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,026,254</u></u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Cash and cash equivalents - overdraft	\$ 6,095	\$ -	\$ 6,095
Accounts payable	100,533	-	100,533
Due to state government	14,181	-	14,181
Accrued payroll and related liabilities	31,627	-	31,627
Unearned revenue	225	-	225
Line of credit	68,398	-	68,398
Compensated absences	27,035	-	27,035
TOTAL CURRENT LIABILITIES	<u>248,094</u>	<u>-</u>	<u>248,094</u>
TOTAL LIABILITIES	<u>248,094</u>	<u>-</u>	<u>248,094</u>
<b>FUND BALANCE / NET ASSETS</b>			
Contributed capital	894,237	(894,237)	-
Retained earnings	(116,077)	116,077	-
TOTAL FUND EQUITY	<u>778,160</u>	<u>(778,160)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 1,026,254</u></u>		
Net Assets			
Invested in Capital Assets - Net of Related Debt		922,207	922,207
Restricted for Transportation		(144,047)	(144,047)
TOTAL NET ASSETS		<u><u>\$ -</u></u>	<u><u>\$ 778,160</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY  
Statement of Revenues, Expenses, and Changes in Retained Earnings/Statement of Activities  
For the Year Ended September 30, 2006

	Full Accrual Basis	Adjustments	Statement of Activities
Operating Revenues	\$ 374,235	\$ -	\$ 374,235
Operating Expenses:			
Labor	352,680	-	352,680
Fringe Benefits	162,699	-	162,699
Services	47,726	-	47,726
Materials and Supplies	140,898	-	140,898
Utilities	26,890	-	26,890
Casualty and Liability Insurance	53,894	-	53,894
Miscellaneous	9,470	-	9,470
Finance Charges	15,564	-	15,564
Leases and Rentals	136	-	136
Depreciation	166,038	-	166,038
Bad debt	3,040	-	3,040
TOTAL EXPENSES	<u>979,035</u>	<u>-</u>	<u>979,035</u>
OPERATING INCOME (LOSS)	<u>(604,800)</u>	<u>-</u>	<u>(604,800)</u>
Non-operating Revenues:			
Local	61,808	-	61,808
State	282,876	-	282,876
Federal	125,186	-	125,186
TOTAL NON-OPERATING REVENUES	<u>469,870</u>	<u>-</u>	<u>469,870</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(134,930)</u>	<u>-</u>	<u>(134,930)</u>
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues restricted for capital acquisitions	160,061	(160,061)	-
Add (gain) loss on sale of capital	15,862	(15,862)	-
Add capital grants and contributions	-	60,929	60,929
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>40,993</u>	<u>(114,994)</u>	<u>(74,001)</u>
Retained Earnings/Net Assets (deficit) at beginning of year	(157,070)	1,009,231	852,161
RETAINED EARNINGS/NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (116,077)</u>	<u>\$ 894,237</u>	<u>\$ 778,160</u>

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY  
Statement of Cash Flows  
For the Year Ended September 30, 2006

Cash Flows from Operating Activities:	
Collections from customers	\$ 775,031
Payments to employees and related items	(372,469)
Payments to vendors	(467,857)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(65,295)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of fixed assets	(80,947)
Proceeds of sale of fixed assets	3,460
Increase in contributed capital	60,929
Donation of capital assets	20,139
Note payable	22,398
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>25,979</u>
Cash Flows from Investing Activities:	
Interest income	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(39,316)
Cash, Beginning of Year	33,221
<b>CASH, END OF YEAR</b>	<u><u>\$ (6,095)</u></u>

RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net Income (Loss)	\$ (134,930)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	166,038
(Increase) decrease in accounts receivable	(67,869)
(Increase) decrease in prepaid insurance	464
Increase (decrease) in accounts payable	(23,321)
Increase (decrease) in accrued payroll liabilities	(3,490)
Increase (decrease) in deferred revenue	125
Increase (decrease) in compensated absences	(2,312)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (65,295)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE A – DESCRIPTION OF THE REPORTING ENTITY:**

The Alger County Transit Authority (ALTRAN), which was organized under State of Michigan, Public Act 196 of 1986, provides public transportation to the general public in Alger County, Michigan. The Authority is governed by a six (6) member Board of Directors appointed by the Alger County Board of Commissioners.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Alger County Transit Authority conform to generally accepted accounting principles as applicable to governments in the United States of America. The following is a summary of the more significant policies:

- (1) **Fund Accounting** – Alger County Transit Authority is a distinct entity and, accordingly, consists of a separate set of self-balancing accounts comprised of the Authority's assets, liabilities, net assets, revenues and expense accounts. The Alger County Transit Authority is defined under generally accepted terminology as a proprietary enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises with the intent of the governing body being that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- (2) **Basis of Accounting** – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned and expenses are recognized when incurred.
- (3) **Mission Statement and Nonoperating Revenues and Expenses** – The Authority's primary mission is to provide transportation services through its Authority. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in revenues or expenses unrelated to the Authority's primary mission are considered to be nonoperating. Nonoperating revenues and expenses include property taxes, county appropriations, maintenance of effort, private contributions, rent, proportionate share reimbursement, and other revenue.

Cash and Equivalents

For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair market value.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Accounts Receivable

Accounts receivable consists primarily of amounts due from other governmental units that pay their respective bills on a monthly basis. Therefore, no allowance for doubtful accounts has been established.

### Inventory

Inventories of operating supplies are stated at the lower of cost or market, determined by the first-in, first-out method of valuation.

Land, Buildings, and Equipment – Land, buildings, and equipment (capital assets) relating to the operations of the Authority are recorded at cost and accounted for in the Alger County Transit Authority Fund. Depreciation on such capital assets is charged as an expense against the operations of the Authority using straight-line depreciation. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives ranging from 3 to 40 years.

Use of Estimates – The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents restricted and unrestricted, reported on the balance sheet are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and equivalents	<u>\$ (6,095)</u>	<u>\$ -</u>	<u>\$ (6,095)</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. State law does not require and the Facility does not have a deposit policy for custodial credit risk. The carrying amounts of the Facility's deposits with financial institutions were \$ (6,095) and the bank balance was \$10,900. Of the bank balance, \$10,900 or approximately 100% was covered by federal depository insurance according to FDIC regulations.

### Investments

As of September 30, 2006, the Facility had no investments.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Facility's investments. The Facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE C – DEPOSITS AND INVESTMENTS (Continued):***Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Facility to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Facility has no investment policy that would further limit its investment choices. The Facility's investments are in accordance with statutory authority.

**NOTE D – FIXED ASSETS:**

A summary of the fixed assets for the Authority is as follows:

	Balance October 1, 2005	Additions	Disposals	Balance September 30, 2006
Building	\$ 929,794	\$1,126	\$ -	\$ 930,920
Buses	937,668	79,281	(332,066)	684,883
Other Vehicles	77,050	-	(20,977)	56,073
Equipment	99,325	-	-	99,325
Furniture and Fixtures	72,178	539	(10,072)	62,645
Construction in Progress	-	-	-	-
Total	2,116,015	80,946	(363,115)	1,833,846
Less accumulated depreciation	1,085,118	166,038	339,517	911,639
NET FIXED ASSETS	\$1,030,897	\$ (85,092)	\$ (23,598)	\$ 922,207

**NOTE E – ACCRUED COMPENSATED ABSENCES:**

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees per pay period, not to exceed a total accumulation of 10 days at the end of the fiscal year. Vacation pay is fully vested, and is payable to employees when they terminate employment.

Sick leave is accumulated at the rate of 4 hours per each bi-weekly pay period, not to exceed a total accumulation of 500 hours. Sick pay is payable at 100 percent of the employees normal pay rate at the time of voluntary termination or termination resulting from fiscal restraints.

The balance of compensated absences is \$27,035.

## NOTE F – SCHEDULE OF CONTRIBUTED CAPITAL:

Changes in contributed capital for the year ended September 30, 2006, consist of the following:

### Capital Grants:

Balance, October 1, 2005		\$ 2,086,015
Add grants recognized:		
2002-0006/Z24	\$ -	
2002-0006/Z23	-	
2002-0006/Z22	-	
2002-0006/Z19	-	
2002-0006/Z15	57,902	
2002-0006/Z11	-	
2002-0006/Z10	3,027	
2002-0006/Z3	-	
Total Grants		60,929
Minus Disposals		(353,098)
Facility Share of current additions		-
Balance, September 30, 2006		1,793,846

### Accumulated amortization:

Balance, October 1, 2005	1,076,784
Add - current amortization	160,061
Minus Disposals	(337,236)
Facility Share of current additions	-
Balance, September 30, 2006	899,609
NET CAPITAL GRANTS, SEPTEMBER 30, 2006	<u>\$ 894,237</u>

## NOTE G – SHORT-TERM NOTES PAYABLE:

Short-term notes payable outstanding as of September 30, 2006 consists of the following:

Short-term note payable to bank:

- Original note \$46,298, unsecured, on May 1, 2006, with interest at 7%, due on November 1, 2006.
- Original note \$22,100, unsecured, on September 28, 2006, with interest at 6%, due on October 28, 2006.

	Beginning Balance	Additions	Deletions	Ending Balance
Short Term Note #1	\$46,000	\$298	\$-	\$46,298
Short Term Note #2	-	22,100	-	22,100
Total	<u>\$46,000</u>	<u>\$22,398</u>	<u>\$-</u>	<u>\$68,398</u>

## **NOTE H – RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The authority is participating with other Transit Authority's in two separate Michigan Transit Insurance pools.

***The Michigan Transit Pool – Liability Trust Fund*** provides liability insurance to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risk with other insurers or reinsurers. The Authority's insurance coverage is based on various types of risk and the maximum aggregate reimbursement cannot exceed \$1,000,000 for all claims. The Pool is responsible for paying specific claims up to \$250,000 in Medical claims and \$950,000 in General Liability claims from premiums collected and have purchased aggregate reinsurance in excess of these limits.

***The Michigan Transit Pool – Direct Property Damage Trust Fund*** provides direct property damage coverage to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Fund uses excess insurance to reduce its exposure to individual claims in excess of \$100,000. The insurance policy permits the recovery of losses from the carrier in excess of this limit, but does not discharge the primary liability of the Fund as direct insurer of the risks insured.

The Authority continues to carry commercial insurance for other risks of loss, including general liability, worker's compensation and employee health insurance.

## **NOTE I – COST ALLOCATIONS:**

The Authority has cost allocation plans for allocated expenses. All allocation plans are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

## **NOTE J – RETAINED EARNINGS:**

As of September 30, 2006, a deficit of \$144,047 existed in unrestricted retained earnings. The Authority's financial condition relating to unrestricted retained earnings has improved from last year. Management is evaluating its ability to borrow additional funds, reduce daily operating expenses, and obtain other revenue sources. If such conditions cannot be obtained or received the ability of the Authority to continue operations may be impaired. The Authority is required to and has filed a deficit elimination plan with the Department of Transportation on such matter.

## OTHER FINANCIAL INFORMATION

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Operating Revenues  
For the Year Ended September 30, 2006

OPERATING REVENUES:

Fare box Revenue	\$	266,592
Senior Rides		24,000
Bus Advertising		28,350
Contributed Services		4,819
Other FTA Contracts		34,000
Specialized Services		16,474
	\$	<u>374,235</u>

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Operating Expenses  
For the Year Ended September 30, 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
OPERATING EXPENSES:				
Labor:				
Operator's salaries and wages	\$ 226,951	\$ -	\$ 77,917	\$ 304,868
Other salaries and wages	505	-	-	505
Dispatchers salaries and wages	37,494	-	-	37,494
Administration salaries and wages	800	-	-	800
Maintenance salaries and wages	-	8,388	-	8,388
Board Members wages	-	-	625	625
Fringe Benefits:				
FICA Employer	17,930	542	5,582	24,054
MED Employer	4,193	127	1,306	5,626
Insurance	35,358	193	17,630	53,181
Other Fringe Benefits	54,521	1,112	24,205	79,838
Services:				
Advertising/Promotion	331	-	28,612	28,943
Auditing Services	-	-	5,000	5,000
Custodial Services	2,567	-	-	2,567
Other Services	8,688	50	2,478	11,216
Materials & Supplies:				
Fuel and Lubricants	103,523	-	-	103,523
Tires and Tubes	5,878	-	-	5,878
Other materials and supplies	26,280	112	5,105	31,497
Utilities	26,890	-	-	26,890
Casualty and Liability Insurance:				
PL and PD Insurance	49,461	-	-	49,461
Other Corp. Insurance	-	-	4,433	4,433
Miscellaneous:				
Vehicle Registrations	256	-	-	256
Dues and Subscriptions	-	-	2,035	2,035
Travel and Meetings	260	-	4,356	4,616
Equipment/Maintenance. Contract	1,942	-	621	2,563
Finance Charges	-	-	15,564	15,564
Leases and Rentals	-	-	136	136
Depreciation	166,038	-	-	166,038
Bad debt	3,040	-	-	3,040
TOTAL	<u>\$ 772,906</u>	<u>\$ 10,524</u>	<u>\$ 195,605</u>	<u>\$ 979,035</u>

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Non-operating Revenues  
For the Year Ended September 30, 2006

Local Operating Grants:	
Local Property Tax Revenue	\$ 12,000
Local Operating Assistance	16,270
Maintenance Contracts	-
Administrative Contracts	31,000
Donation	20,000
Miscellaneous Revenues	<u>2,485</u>
SUBTOTAL LOCAL OPERATING GRANTS	81,755
Gain from Capital Sales	(20,142)
Interest Income	<u>195</u>
TOTAL NON-OPERATING REVENUES - LOCAL	<u>\$ 61,808</u>
State of Michigan Operating Grants:	
Local bus operating assistance	\$ 282,876
TOTAL STATE OF MICHIGAN OPERATING GRANTS	<u>\$ 282,876</u>
Federal Operating Grants:	
U.S. DOT Operating Grant	\$ 121,686
R.T.A.P.	<u>3,500</u>
TOTAL FEDERAL OPERATING GRANTS	<u>\$ 125,186</u>

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Expenses by Contract and General Operations  
For the Year Ended September 30, 2006

	Contract - Specialized Services/ <u>Volunteer Driver</u>	General <u>Operations</u>	<u>Total</u>
Labor	\$ 7,146	\$ 345,534	\$ 352,680
Fringe Benefits	3,297	159,402	162,699
Services	967	46,759	47,726
Materials and Supplies	2,855	138,043	140,898
Utilities	545	26,345	26,890
Casualty and Liability Insurance	1,092	52,802	53,894
Miscellaneous	192	9,278	9,470
Finance Charges	315	15,249	15,564
Leases and Rentals	3	133	136
Depreciation	-	166,038	166,038
Bad Debt	-	3,040	3,040
TOTALS	<u>\$ 16,412</u>	<u>\$ 962,623</u>	<u>\$ 979,035</u>

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Net Eligible Cost Computations of General Operations  
For the Year Ended September 30, 2006

	Federal Section 5311*	State Operating Assistance
Total Expenses	\$ 979,035	\$ 979,035
Less Ineligible Expenses:		
Depreciation	160,061	160,061
Dues	52	52
Finance Charges	14,314	14,314
Administrative Contract	25,213	25,213
Bad Debt Expense	3,040	3,040
State Advance Interest	1,250	1,250
Capital Contract Expenses	573	573
FTA Contributed Expenses	4,819	-
Less:		
R.T.A.P.	3,500	3,500
FTA	34,000	34,000
Specialized Services	16,412	16,412
TOTAL INELIGIBLE EXPENSES	<u>263,234</u>	<u>258,415</u>
NET ELIGIBLE EXPENSES	<u>\$ 715,801</u>	<u>\$ 720,620</u>
STATE STATUTORY OPERATING ASSISTANCE the greatest of its:		
Statutory cap: 60 percent of eligible expenses		<u>\$ 432,372</u>
Minimum:		
1996-97 Formula		<u>\$ 202,105</u>
STATE STATUTORY OPERATING ASSISTANCE 39.25%		<u>\$ 282,876</u>
FEDERAL SECTION 5311 17.00%	<u>\$ 121,686</u>	

\* Federal Section 5311 expenses are only those expenses incurred in providing services to non-urbanized areas. All of the areas the authority serves are classified as non-urbanized areas.

ALGER COUNTY TRANSIT AUTHORITY  
Schedule of Ineligible Expenses  
For the Year Ended September 30, 2006

<u>Program</u>		<u>Federal Section 5311</u>	<u>State Operating Assistance</u>
Urban Mass Transportation Administration Operating Grants:			
1.	Depreciation allocable to contributed capital is not an eligible expense.	\$ 160,061	\$ 160,061
2.	A portion of association dues are ineligible expenses.	52	52
3.	Finance and interest charges paid for late payments are ineligible.	14,314	14,314
4.	Expenses reimbursed under R.T.A.P. Grant are ineligible.	3,500	3,500
5.	Expenses reimbursed for administrative service contracts are ineligible.	25,213	25,213
6.	Expenses relating to write off of bad debts.	3,040	3,040
7.	Interest expense on State Advances are ineligible.	1,250	1,250
8.	Expenses reimbursed under other FTA contracts are ineligible.	34,000	34,000
9.	Expenses reimbursed under Specialized Services are ineligible.	16,412	16,412
10.	Expenses reimbursed under Capital Contracts are ineligible.	573	573
11.	Expenses relating to FTA Contributed Wages	4,819	-
		<u>\$ 263,234</u>	<u>\$ 258,415</u>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Financial Assistance**  
**Federal and State**  
**For the Year Ended September 30, 2006**

Federal Grantor/Pass Thru Grantor/Program Title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Due From State @ 9/30/2005	Amount Paid By State In FY 2006	Amount of Actual Revenue/Expenditures FY 2006	Due From State @ 9/30/2006	Amount Remaining
<b>Michigan Department of Transportation</b>								
Capital Grant	N/A	2002-0006/Z24	\$ 65,000	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Capital Grant	N/A	2002-0006/Z23	66,460.00	-	-	-	-	66,460.00
Capital Grant	N/A	2002-0006/Z22	160,000.00	-	-	-	-	160,000.00
Capital Grant	N/A	2002-0006/Z19	75,000.00	-	-	-	-	75,000.00
Capital Grant	N/A	2002-0006/Z15	58,000.00	-	57,902.14	57,902.14	-	97.86
Capital Grant	N/A	2002-0006/Z11	172,755.00	-	-	-	-	10,421.00
Capital Grant	N/A	2002-0006/Z10-R2	225,000.00	247.44	4,825.51	3,022.97	(1,555.10)	13,810.63
Capital Grant	N/A	2002-0006/Z3-R1	62,500.00	-	-	-	-	21.74
<b>Total Capital Assistance</b>			<b>884,715.00</b>	<b>247.44</b>	<b>62,727.65</b>	<b>60,925.11</b>	<b>(1,555.10)</b>	<b>390,811.23</b>

**U.S. Department of Transportation**  
State and Federal Operating Assistance  
Computations based on Operating Expense  
Passed through MDOT

Operating Assistance - Section 18	20.509	9/30/2006	-	97,710.00	122,592.00	24,882.00	-
Operating Assistance - Section 18	20.509	9/30/2005	15,980.13	12,142.94	-	3,837.19	-
Operating Assistance - Section 18	20.509	9/30/2004	6,826.15	-	-	6,826.15	-
Operating Assistance - Section 18	20.509	9/30/2003	(1,889.10)	-	1,889.10	-	-
Operating Assistance - Section 18	20.509	9/30/2002	552.00	-	(552.00)	-	-

**Michigan Department of Transportation**  
Operating Assistance - Act 51  
Operating Assistance - Act 51  
Operating Assistance - Act 51  
Operating Assistance - Act 51  
Operating Assistance - Act 51  
Operating Assistance - Act 51  
Operating Assistance - Act 51

Operating Assistance - Act 51	N/A	9/30/2006	-	283,037.00	283,076.00	39.00	-
Operating Assistance - Act 51	N/A	9/30/2005	(12,438.00)	(2,221.00)	-	(10,217.00)	-
Operating Assistance - Act 51	N/A	9/30/2004	(3,710.00)	-	-	(3,710.00)	-
Operating Assistance - Act 51	N/A	9/30/2003	-	560.00	1,159.00	599.00	-
Operating Assistance - Act 51	N/A	9/30/2002	2,262.00	(1,265.00)	(3,527.00)	-	-
Operating Assistance - Act 51	N/A	9/30/2001	241.00	1.00	(240.00)	-	-
Operating Assistance - Act 51	N/A	9/30/2000	(256.00)	1.00	257.00	-	-

Specialized Services  
Specialized Services  
Specialized Services

Specialized Services	N/A	2002-0006/Z20	-	15,610.00	16,474.00	864.00	-
Specialized Services	N/A	2002-0006/Z17	1,245.75	1,245.75	-	-	-
Specialized Services	N/A	2002-0006/Z12	(74.58)	-	74.58	-	-
<b>Total Operating Assistance</b>			<b>8,739.35</b>	<b>406,821.69</b>	<b>421,202.68</b>	<b>23,120.34</b>	<b>-</b>
<b>Total Assistance</b>			<b>\$ 884,715.00</b>	<b>\$ 8,986.79</b>	<b>\$ 469,549.34</b>	<b>\$ 21,565.24</b>	<b>\$ 390,811.23</b>

Capital = 80% Federal  
Federal Operating  
Total Federal Dollars

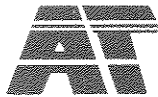
Capital = 80% Federal	\$ 48,740.09
Federal Operating	\$ 1,337.10
Total Federal Dollars	\$ 50,077.19

ALGER COUNTY TRANSIT AUTHORITY  
Mileage Data (Un-audited)  
For the Year Ended September 30, 2006

	Public Transportation <u>Mileage</u>
Demand Response:	
First Quarter	110,207
Second Quarter	114,695
Third Quarter	112,231
Fourth Quarter	129,855
Total Demand Response	<u>466,988</u>

All of the Authority's mileage is demand response.

## Compliance Supplements



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Alger County Transit Authority  
Munising, Michigan 49862

We have audited the accompanying financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2006, which collectively comprise the Alger County Transit Authority's basic financial statements and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Alger County Transit Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

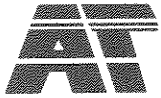
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alger County Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter dated December 15, 2006, as item 06-01.

This report is intended solely for the information and use of the Board and management of the Alger County Transit Authority, and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, P.L.C.*  
Certified Public Accountants

December 15, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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### *Alger County Transit Authority Report to Management Letter For the Year Ended September 30, 2006*

Board of Directors  
Alger County Transit Authority  
Munising, Michigan 49862

In planning and performing our audit of the financial statements of the Alger County Transit Authority for the year ended September 30, 2006, we considered its internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted no matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Alger County Transit Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The following comments are not reportable conditions as defined by the AIPCA but are management points for which we feel consideration should also be given.

**06-01 Condition/Criteria:** At September 30, 2006 the Alger County Transit Authority had an unrestricted equity deficit of \$144,047. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Alger County Transit Authority has filed such a plan.

**Effect:** The Alger County Transit Authority is not in compliance with State Law.

**Cause of Condition:** Failure of operating revenues to cover operating expenditures in the current year.

**Recommendation:** We recommend that the Alger County Transit Authority monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

Board of Directors  
Alger County Transit Authority  
Munising, Michigan 49862

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - September 30, 2007

This report is intended solely for the information and use of the Alger County Transit Authority's management, and others within the Administration.

We appreciate and would like to thank the Alger County Transit Authority's staff for the cooperation and courtesy extended to us during our audit. We would be please to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 15, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

December 15, 2006

Alger County Transit Authority  
530 Munising Ave  
Munising, MI 49862

We have audited the financial statements of the Alger County Transit Authority for the year ended September 30, 2006, and has issued our report thereon dated December 15, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Alger County Transit Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Alger County Transit Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Alger County Transit Authority are described in the Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Alger County Transit Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Alger County Transit Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Alger County Transit Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Alger County Transit Authority's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alger County Transit Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Conclusion**

This information is intended solely for the use of the Alger County Transit Authority Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants